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SOURCE Hsin-wen Jih-pao.

REVIEW OF NORTHEAST INDUSTRIAL CONDITIONS IN 1950

In the past 6 months, under the urging of the Northeast Bureau for Economic Reconstruction to eliminate extravagance and waste, production has risen every month and efficiency has improved, resulting in lower production costs.

Production and distribution figures for 1950 are in accord with plans. Government investments in economic enterprises accounted for 54 percent of all government disbursements, of which, investment in industrial concerns amounted to 40 percent. It is obvious that Northeast industry is assuming an extremely large role in economic reconstruction. Although the year is not yet ended and the complete results are not yet available, the over-all results of the first 6 months make us feel that remarkable results are being achieved. According to available data, the over-all production costs of many factories and mines in the first half of the year declined from 4 to 20 percent. Examples are as follows, using the production-cost unit for 1949 as 100:

Commodity	1950 Production Cost	Reduction in %
Run-of-mine Coal		
Northeast Coal Bureau	84.50	15.50
Fu-shun	96.05	3.96
Pen-ch'i	87.50	12.50
Industrial Reconstruction Bureau cement	93.53	6.47
Second Cotton Textile Co. 12-gauge cotton yarn	92.73	7.27
Kirin newspaper	93.47	6.53

The Ho-kang coal field, one of the Northeast's largest, after adopting new methods for extracting coal, reduced its over-all costs as follows:

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	Jan 50	May 50	Reduction in %
Cost of coal per ton (yuan)	520,000	397,000	23.65
Cost of explosives per ton (yuan)	17,400	6,700	61.49
Ratio of labor to over-all costs (%)	22.3	9.93	6.94

The workers as a whole have shown great enthusiasm, and, according to incomplete figures, in the first half of 1950 set 1,836 new records. These records include 134 new inventions, 458 technical improvements, and 281 suggestions for improvements, a total of 13,893 persons being responsible for them. These factors contributed to fulfilling quotas on time, to increasing efficiency, and to surpassing former production levels.

Some factories surpassed the technical standards of the Japanese puppet regime. For example, the Mukden Smelting Company set ten great new records in May. The aluminum-smelting department exceeded its quota by 35.49 percent up to 10 May, and the silver electrolysis section of the gold and silver electrolysis department topped its quota by 16.56 percent. The gold electrolysis section surpassed its quota by 92.2 percent. Originally, lathes manufactured by a certain machine shop could not meet even the standards for a low-quality product set by the machine section, but in May this shop not only produced 26, but every one of them met the standards set for first-quality line. In other cases, in May 99.05 percent of Pen-ch'i pig iron was up to the required standards and 96.2 percent of Fu-shun steel plate.

Although good production results have been shown in the first half of the year, several bad practices have also been revealed. The importance of making good estimates deserves special attention. Since planned economy is a new thing with which we have had little experience, there were many cases in which cost estimates were padded to enable factories to meet their production quotas. Therefore, many production results appear unusually high, and the reduction in costs is exaggerated because the original estimates were overstated. For example, one factory under the Northeast Machine Bureau estimated that a supplementary coal supply of 6,000 tons was needed, although even without this additional allotment, there was enough on hand to last until February 1951. In another case, the estimated cost of machine lathes at Factory No 5 was 582,090,000 yuan each in April, but the actual cost was only 238,062,944 yuan, or 59.1 percent below the estimate.

Based on the costs of Fu-shun special steels (carbon tool steels), the Pen-ch'i product should cost 98.65 percent of the Fu-shun product, but it actually costs 135 percent of the standard. If we analyze the one component of the total cost, for example, supplementary materials, the cost was only 0.35 percent at Fu-shun, whereas the estimated cost was 9.5 percent. The cost of supplementary materials was estimated at 6.35 percent at Pen-ch'i, but it actually turned out to be only 1.74 percent. Such nominal figures make the general reduction of total costs unrealistic. Even in the Soviet Union, except through important inventions of technical advances, it is not possible to achieve a 30-50 percent reduction in costs.

Many establishments, in making up their estimates, have either deliberately or carelessly calculated their costs on mere guesses. By issuing exaggerated estimates, they could show a considerable lowering of costs. For example, a power plant based on the efficiency standards of the Shih-ching-shan and T'ang-shan power plants should use about 0.75 kilograms of coal per kilowatt-hour. Assuming that the equipment at the Ch'ang-ch'un power plant is about equal to that at Shih-ching-shan, then the estimated amount of coal Ch'ang-ch'un uses should also be about 0.75 kilograms per kilowatt-hour. But the leaders, being cowardly and fearing that they might not be able to fulfill their quota, deliberately concealed the efficiency of their equipment, and raised estimates on coal consumption to 1.15 kilograms.

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and marketability of products vary greatly. Location is another factor to be considered in relation to the availability of raw materials, transport problems, and markets. For instance, the Ch'ang-ch'un electric power plant will require a higher ratio of working capital per unit of production than the Fu-shun plant, because the Ch'ang-ch'un plant has to transport coal from Fu-shun. In 1950, when the Northeast Ministry of Industry set up production schedules, it also called a conference to set up distribution schedules and to draw up marketing contracts to minimize the lag between production and sales. The plan for products sold, in comparison with the total produced, for the first 6 months of 1950, shows the following results:

<u>Industry</u>	<u>Plan Fulfillment (in %)</u>
An-shan Steel Works	74
Pen-ch'i-hu Iron and Coal Co	81
Nonferrous metals	84
Gold mining	125.3
Coal mining	97
Machinery	29
Electric power	86
Chemicals	97
Textiles	114.5
Construction	134
Light industries	94
Fu-shun mines	92.1
General average	89

In the case of the machinery industry, the low record was due to the large percentage of low-quality products that could not be sold. With other industries, the product did not respond to the existing demand situation. Among such products were steel materials and ball bearings. In other cases, production estimates were overambitious, surpassing demand. In this class were castings, coal, cement, glass, paraffin, fire brick, electric condensers, and coke. Some were not according to standards or were priced too high, such as light and heavy fuel oil, soap, bicycles, thiocyanates, graphite, bicycle tires, rubber shoes, and knitted woelens.

The over-all picture, however, is better than in 1949. The average working capital turnover period was reduced from 54 days in 1949 to 31 days for the first quarter of 1950. This shows that economic planning is far superior to makeshift production schedules.

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